

How to reduce your income tax in Singapore (make use of these tax reliefs and deductions!)

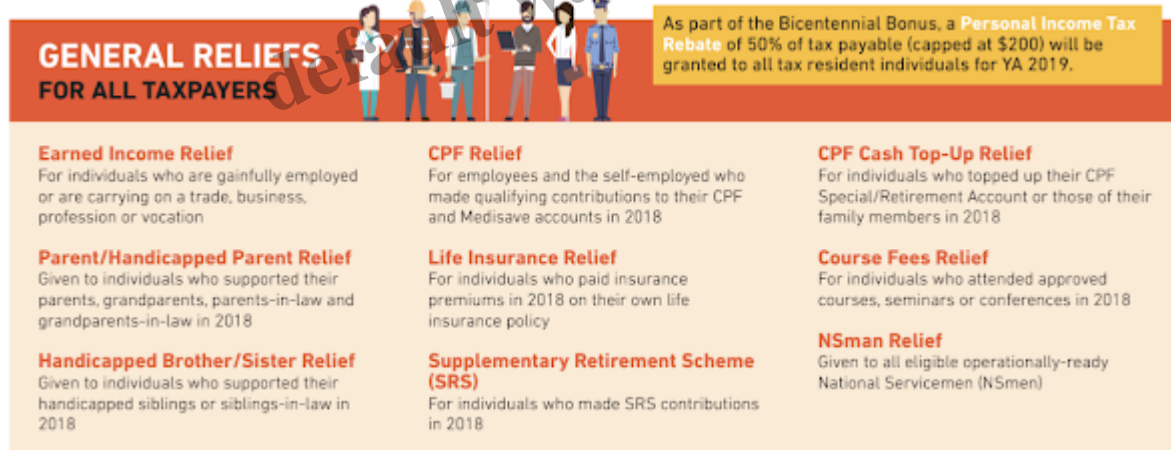
Description

[Updated for 2019]



**TAX SAVINGS AT A GLANCE:
YOUR FIRST-STOP GUIDE
TO ALL THE RELIEFS
AND DEDUCTIONS**
AVAILABLE THIS TAX SEASON 2019

The total amount of personal income tax reliefs is subject to an overall cap of \$80,000 per YA. For details on claiming reliefs and the full list of qualifying conditions, visit www.iras.gov.sg.



**GENERAL RELIEFS
FOR ALL TAXPAYERS**

As part of the Bicentennial Bonus, a **Personal Income Tax Rebate** of 50% of tax payable (capped at \$200) will be granted to all tax resident individuals for YA 2019.

Earned Income Relief For individuals who are gainfully employed or are carrying on a trade, business, profession or vocation	CPF Relief For employees and the self-employed who made qualifying contributions to their CPF and Medisave accounts in 2018	CPF Cash Top-Up Relief For individuals who topped up their CPF Special/Retirement Account or those of their family members in 2018
Parent/Handicapped Parent Relief Given to individuals who supported their parents, grandparents, parents-in-law and grandparents-in-law in 2018	Life Insurance Relief For individuals who paid insurance premiums in 2018 on their own life insurance policy	Course Fees Relief For individuals who attended approved courses, seminars or conferences in 2018
Handicapped Brother/Sister Relief Given to individuals who supported their handicapped siblings or siblings-in-law in 2018	Supplementary Retirement Scheme (SRS) For individuals who made SRS contributions in 2018	NSman Relief Given to all eligible operationally-ready National Servicemen (NSmen)

ADDITIONAL RELIEFS FOR MARRIED/DIVORCED/WIDOWED TAXPAYERS

MALE AND FEMALE TAXPAYERS

- Spouse Relief/Handicapped Spouse Relief**
Given to individuals who supported their spouse in 2018
- Qualifying Child Relief (QCR)/Handicapped Child Relief (HCR)**
Given to parents who are raising and/or maintaining children
- NSman Parent Relief**
Given to parents of eligible operationally-ready National Servicemen

FEMALE TAXPAYERS

- Working Mother's Child Relief (WMCR)**
Given to working mothers who had taxable earned income and maintained a child in 2018
- Grandparent Caregiver Relief**
For working mothers who engage the help of their parents/grandparents (including in-laws) to take care of their children
- Foreign Maid Levy Relief**
For married women (including divorcees/widows with children eligible for child relief) who had taxable earned income and employed a foreign domestic worker in 2018
- NSman Wife Relief**
Given to wives of eligible operationally-ready National Servicemen

AVAILABLE DEDUCTIONS

- Deductions on Employment Expenses**
Claim deductions on employment expenses incurred while carrying out official duties which were not reimbursed by your employer
- Deductions on Business Expenses**
For the self-employed, claim deductions on allowable business expenses incurred in the course of carrying on a trade
- Deductions on Rental Expenses**
Claim tax deduction on actual expenses incurred or 15% deemed rental expenses in producing the rental income on your property
- Deductions on Donations**
Tax deductions of 2.5 times the amount of donations made in 2018

Back when I was still in my first job, my annual income tax was only about \$200. This was based on a yearly income of \$30,000, of which I saved \$20,000 – [read about how I did it here](#). (Nope, no bonuses either.)

I don't mind paying taxes as I understand and appreciate the fact that the money is channeled for the government to help the lower-income groups, as well as pay for other public goods such as our roads, education, etc.

But ever since I got headhunted to my second, and now third, job where I received a pay raise each time, my income taxes have jumped significantly and it has come to a point where I've been looking into (legal) ways to reduce paying so much. For context, my income tax jumped by over 10x, but my salary hasn't jumped 10x at all!

Resident Tax Rates

From YA 2017

Chargeable Income	Income Tax Rate (%)	Gross Tax Payable (\$)
First \$20,000 Next \$10,000	0 2	0 200
First \$30,000 Next \$10,000	- 3.50	200 350
First \$40,000 Next \$40,000	- 7	550 2,800
First \$80,000 Next \$40,000	- 11.5	3,350 4,600
First \$120,000 Next \$40,000	- 15	7,950 6,000
First \$160,000 Next \$40,000	- 18	13,950 7,200

I've talked about how achieving financial freedom involves cutting down your expenses while looking for ways to increase your income at the same time. Income tax is definitely one area where you'd want to reduce, because Singapore's tiered income tax system is such that the more you earn, the higher percentage of taxes you'll have to pay.

For someone earning \$30k a year, they only need to pay 2% of income tax, or \$200.

If you earn \$3,500 a month and get a 13-month bonus, you'll be looking at an annual tax of \$935. If you're luckier and get more (eg. 3 months bonus), you can expect to pay \$1,425.

But if you earn \$80k annually (about \$6k monthly with bonus), you'll be paying \$3350.

If you earn \$100k a year, you'll be paying over \$5k...which could otherwise pay for a holiday to Europe!

While evading taxes is a crime, there are perfectly legal ways for you to reduce your income taxes. Here's some:

Tax Savings for Individual Taxpayers Don't Lose Out - Save Your Tax Dollars



▶ From Year of Assessment (YA) 2018, the total amount of personal income tax reliefs is subject to an overall cap of \$80,000 per YA.



Tax Savings for Married Couples



For Husband and Wife

Spouse Relief

Life Insurance Relief



- 1 Your CPF contribution to your CPF was less than \$5,000 in the previous year.
- 2 You paid insurance premiums on your own life insurance policy.

You are entitled to the lower of

- 1 The difference between \$5,000 and your CPF contribution.
- 2 Up to 7% of the insured value of the life insurance policy or the amount of insurance premiums paid.

Tip: If the husband paid for the wife's life insurance policy, he may also claim the insurance premiums on his wife's life insurance policy.

1. Top up your CPF account (and/or that of your parents).

I used to give my parents their monthly allowance in pure cash. However, ever since I found out about this hack, I've changed this to put the money as voluntary contributions to their CPF accounts instead. Given that my dad is already retired and my mum will soon be eligible to withdraw her funds, this approach makes a lot of sense to me as my parents still get their money, and I get to concurrently enjoy tax rebate for the same.

Since the maximum tax relief we can claim is \$7000, you can also make voluntary top-ups to your CPF Special Account (SA) where it can earn attractive interest rates, and up your tax relief amount further to a maximum of \$14,000.

Do it before the end of the year so you'll get the tax relief! [I've blogged about this previously here as well.](#)



2. Supplementary Retirement Scheme (SRS) relief.

If you've already maxed out your CPF tax reliefs, you can also make use of the SRS relief scheme to enjoy up to \$15,300 of tax relief if you and/or your employer make contributions to your SRS account!

3. Donate to charity.

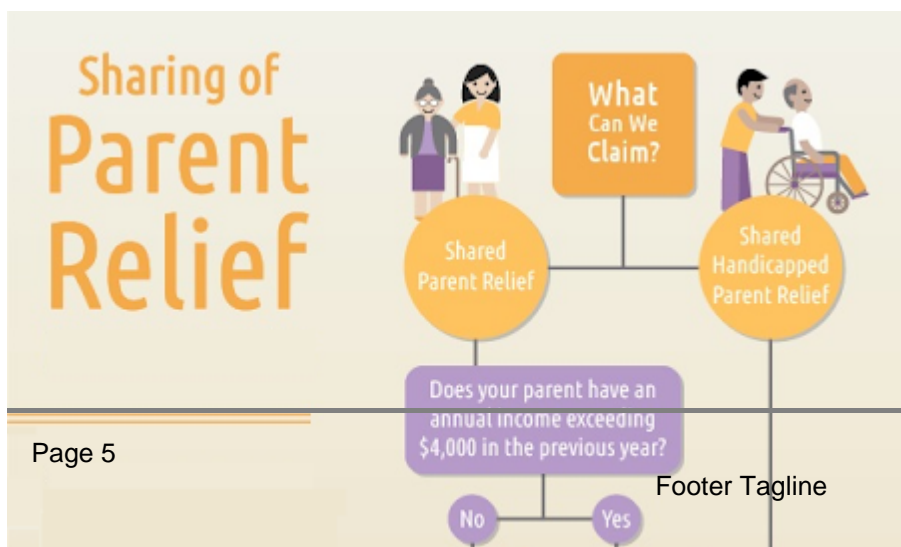
It (literally) pays to be kind!

I've always believed in contributing to charity to help those who are less well-off than us. After all, I come from a family whose parents couldn't even afford to send me to university, and I benefited from the university scholarship (generously funded by alumni) which allowed me to pursue my studies, so I'm extremely familiar with the struggles of not having enough money.

Because of my background, I have a soft spot towards donating to bursaries and other funds for needy students.

Aside from helping those who need it, the additional good news is, you can claim 250% in tax deductions based on the amount you donated!

4. Claim tax relief for supporting dependent or handicapped grandparents / parents / siblings / spouse.



If you have or parents, living with you who are older than 55 and earn no more than \$4,000 annually, you can also claim up to \$9,000 tax relief for supporting them (or up to \$14,000 if they're handicapped, in which case the income requirement doesn't quite apply). But if you have siblings who are claiming for the same, you'll need to split that evenly with them. There are also tax reliefs if your grandparents stay with you.

Unfortunately this scheme doesn't apply to me since my mom is still working and my dad only just retired recently, so his annual income still exceeds \$4000 for this year, but I'll be able to claim this soon next time!

If you're supporting a handicapped spouse or sibling, you can also claim up to \$5,500 of tax relief.

Handicapped Sibling Relief

Do you spend \$2,000 or more supporting your handicapped sibling(s)/sibling(s)-in-law?

YES: You can claim \$5,500 for supporting each handicapped sibling or sibling-in-law. If you supported the same handicapped sibling or sibling-in-law with other claimants, you may share this relief based on an agreed apportionment.

NO: Does he/she live in the same household?

YES: (Same as above)

NO: You are not eligible to claim handicapped sibling relief.

Check your tax deductions!

- Deduction on Donations 2.5 times of donations**
Tip: When the tax deduction for the donation > the income for the year, you may carry forward unutilised donations for up to five years.
- Deductions on Employment Expenses**
Claim employment expenses incurred while carrying out official duties which were not reimbursed by employer.
- Deduction on Rental Expenses**
15% of gross rent or actual rental expenses incurred.
- Course Fees Relief Up to \$5,500 each year**
Tip: If your assessable income is \$22,000 or below, you can defer your claim for course fees relief.
- Supplementary Retirement Scheme (SRS) Relief**
Up to \$15,300 tax relief for contributions to your SRS account made by you and/or your employer.
- CPF Cash Top-Up Relief**
Up to \$14,000 (\$7,000 for self and \$7,000 for family members) tax relief for topping up your and/or your family members' CPF special/retirement accounts.

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This information aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise. This information is correct as at 12/12/17. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary our position accordingly.

5. For married spouses, claim NSman Self Relief.

Husbands can claim up to \$5,000 if they're a key appointment holder (or up to \$3,000 if they're not but served reservist), while their wives can claim \$750 tax relief.

For Husband NSman Self Relief

Do you perform NS activities?

YES: Are you an NS key command and staff appointment holder?
YES: \$5,000
NO: \$3,000

NO: Are you an NS key command and staff appointment holder?
YES: \$3,500
NO: \$1,500

For Wife NSman Self Relief

You are eligible for \$750 NSman Wife Relief if your husband is eligible for NSman Self Relief.

Tip: Parent of the NSman will also be eligible for \$750 tax relief if the son is eligible for NSman Self Relief. The father of the NSman will be eligible for either the NSman Self Relief or NSman Parent Relief, whichever is higher.

6. For parents, claim Parenthood Tax Rebate / Qualifying Child Relief / Working Mother's Child Relief / Foreign Maid Levy Relief

It seems like the government is really encouraging us to have kids, as they're giving out a lot of tax subsidies for those who do!

On your first child, you can claim \$5,000 of Parenthood Tax Rebate. If you have 2 kids, add on another \$10,000 for your second child. Or, if you're like my cousin with 3 children (or more), you can add on \$20,000 more for each subsequent child! This works out to a significant total of \$35,000 of tax rebates if you have 3 children and make the maximum claims for them!

[New in 2019]

I gave birth last year and received my IRAS letter informing me that our child relief of \$4,000 will be automatically pre-filled for us and divided equally between my husband and I. For those of you who would like to change your allocation basis, remember to indicate when you file your taxes online.

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Tax Savings

For Daddy and Mummy

Qualifying Child Relief (QCR)

You can claim and share the QCR with your spouse based on an agreed apportionment.

Maximum QCR per child
\$4,000

For Mummy

Working Mother's Child Relief (WMCR)*

You can claim if you have earned income.

WMCR Amount (% of mother's earned income)

 15% 1st child	 20% 2nd child	 25% for each child 3rd and subsequent child
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Total cap for QCR plus WMCR is
\$50,000 per child

Parenthood Tax Rebate (PTR)

 \$5,000 1st child	 \$10,000 2nd child	 \$20,000 for each child 3rd and subsequent child
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This rebate is a credit to offset your tax payable.

Make a one-time claim for PTR in the year following your child's year of birth. Any unutilised balance will automatically be carried forward to offset your future income tax payable.

You can share the PTR with your spouse based on an agreed percentage share.

Foreign Maid Levy Relief (FMLR)*

You can claim twice the amount of foreign maid levy paid for **one foreign maid** last year against your earned income.

Grandparent Caregiver Relief (GCR)*

For working mothers, you can claim if:

- your parent, parent-in-law, grandparent or grandparent-in-law (who does not carry on any trade, business, profession, vocation or employment) lives in Singapore and cares for your child; and
- no one else is claiming for GCR on the same caregiver.

\$3,000 on only **one caregiver**

*Male taxpayers are not eligible for these reliefs.

Under the Qualifying Child Relief, you can also claim up to \$4,000 per child if your offspring is younger than 16 years of age or studying full-time.

Tip: the spouse with the higher income should be the one claiming for this, as it could probably reduce his/her taxes by a larger margin!

For mothers who are working and handling dual roles (mad respect to you women), you can claim 15% of your earned income in tax reliefs for your first child, 20% for your second, and 25% for each child if you have 3 kids or more! Do note that the total cap for QCR and WMCR is \$50,000 per child, but that's already a lot of tax deductions (and making me think twice about whether we should aim to have 2, or 3 kids!)

If you're hiring a domestic helper at home, you can also claim twice the amount of foreign maid levy

paid for a maximum of one foreign maid last year against your earned income.

7. Claim reliefs for any courses attended.

If you went for any approved courses, seminars or conferences last year that is relevant to your profession as a part of skills upgrading, remember to claim reliefs on those too! There is a maximum relief of \$5,500 on those, including but not limited to examination fees, enrolment fees, tuition fees, etc.

8. For the self-employed / unemployed, claim life insurance relief.

Did you know? If your CPF contributions last year was less than \$5,000, then you can apply for reliefs on the premiums you paid for your / your spouse's life insurance policy. You can claim the difference between \$5,000 and your CPF contribution, up to 7% of your policy's value, or even the amount of insurance premiums paid (whichever is lower).

9. Business owners, remember to claim deductions on your business expenses.

Every business incurs an operating cost, whether you're a small business startup running your online shop on Instagram, or a bigger company hiring full-time staff, or even part of one. As long as you've incurred business expenses by which you were not reimbursed for, you can claim deductions on them, but do make sure that you keep supporting documents as IRAS might check routinely to confirm whether your deductions are valid. Don't cheat! It's not worth it if you get caught.

10. For landlords, claim tax deductions on rental expenses.

Saving up to 15% of your gross rent or actual rental expenses incurred can be quite significantly, while protecting your (somewhat) passive rental income earned!

Worked Example

Thus, by using the (applicable) methods above, a working mom (under 55 years old) who earns \$6k a month with a 13-month bonus, yet has 2 children and lives with her retired parent who's helping to care for her kids, can **get away with paying NO income tax**, instead of the original \$3,210!

*Assumes the following parameters:

	ASSESSABLE INCOME	78,000 .00
Less: PERSONAL RELIEFS		
Earned income relief	S\$	1,000 .00
Spouse/handicapped spouse relief	S\$	0 .00
Qualifying/handicapped child relief	S\$	8,000 .00
Working mother's child relief	S\$	27,300 .00
Parent/handicapped parent relief	S\$	9,000 .00
Grandparent caregiver relief	S\$	3,000 .00
Handicapped brother/sister relief	S\$	0 .00
CPF/provident Fund relief	S\$	15,600 .00
Life Insurance relief	S\$	0 .00
Course fees relief	S\$	0 .00
Foreign maid levy relief	S\$	0 .00
CPF cash top-up relief (self, dependant and Medisave account)	S\$	0 .00
Supplementary Retirement Scheme (SRS) relief	S\$	0 .00
NSman(Self/wife/parent) relief	S\$	700 .00
Total Personal Reliefs (capped at \$80,000)	S\$	64,600 .00
	CHARGEABLE INCOME	S\$ 13,400 .00
Tax Payable on Chargeable Income	S\$	0.00
Less: Parenthood Tax Rebate	S\$	0.00
	NET TAX PAYABLE	S\$ 0.00

That's a whopping \$3,210 saved in taxes (which you can then use to fund a holiday abroad, or other expenses) as long as you make full use of the reliefs available!

(I haven't even factored in Parenthood Tax Rebate – which should be \$25k in this worked example – and already this mom doesn't need to pay a single cent of taxes lol!)

And that, my dear, is how you can legally get away with paying ZERO taxes in Singapore.

As your income rises (the moment you get any pay raise, commissions or bonuses), you'll soon realise that your income taxes rise disproportionately and you could be paying a huge chunk if you aren't savvy about the various relief schemes available for you to tap on. Considering how much you'll have to pay otherwise, this is where saving on your taxes become increasingly important!

However, do also bear in mind that there is a cap of \$80k on the amount of tax reliefs you can claim. [You can also calculate your income taxes and reliefs here on the IRAS income tax calculator.](#)

Looking at the schemes available, wouldn't it make sense for the husbands to be stay-at-home dads while the mothers go out to work? ? (*since there isn't a working fathers child relief scheme*). If you want to reduce your income taxes, having kids will definitely help!

At any rate, just don't try to avoid paying taxes as the Singapore government now considers that as a predicate to anti-money laundering! That involves personal and even criminal liability, so just be a good citizen and pay your income taxes. But be a smart citizen so you can get away with paying less, or

even none at all ?



Public Service Announcement (PSA): **Remember to file your income taxes by April 18, 2019** ? and don't forget to make use of these tax reliefs and deductions that I've just shared!

With love,
Dawn

Note: This post was written in conjunction with IRAS, and all infographics shared here are rightfully credited to them!

Category

1. Savings

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